

OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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Auditor of State

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September 19, 2006

Senator Tom Courtney, Co-chair  
Senator Ron Wieck, Co-chair  
Representative Dwayne Alons, Chair and  
Members of the Government Oversight Committee  
State Capitol  
Des Moines, IA 50319

Dear Co-chairmen Courtney and Wieck, Chairman Alons and  
Members of the Government Oversight Committee:

I am writing in response to Sam Leto's September 5, 2006 email request regarding the NGA bonuses. Following are my responses to the two items requested.

**ITEM:** Request the Auditor to provide a detailed summary in writing of how the NGA bonuses came to his attention.

**RESPONSE:** I was first alerted to the proposed NGA bonuses by my staff in early February. Our audit team was informed by Department of Economic Development (DED) personnel that a large balance remained from the NGA Conference fundraising after paying conference expenses (NGA excess monies). DED personnel knew we would ask questions about the NGA excess monies and wanted my office to be aware of the expenditures being proposed. DED personnel indicated a memorandum (not informed who wrote the memorandum) had been issued requesting the excess monies be used to pay bonuses. DED personnel expressed their concerns about whether such bonuses would be a proper use of the NGA excess monies.

DED personnel indicated they had questioned Cindy Eisenhower and her staff about the bonus proposal. They also indicated to my staff that I should expect a call from Cindy to discuss using the NGA excess monies for bonuses. Cindy's office called and arranged a meeting with Cindy and me on February 14, 2006. That's when Cindy discussed the proposed bonuses from NGA excess monies and provided me (for my review and comment) with a draft contract for services agreement she proposed to use to support the bonus to each individual. I have already provided you with a copy of that draft agreement, the February 22, 2006 email I received from Cindy in follow-up to our February 14, 2006 meeting, and my February 23, 2006 email response. Cindy did provide my office with copies of certain NGA agreements as I requested in my February 23 email; however, I have not heard anything more from Cindy about these bonuses after our February 22 and 23 email communications.

The only additional communications came from DED personnel to my audit staff who kept me informed. DED personnel later indicated the bonus proposal from NGA excess monies had been dropped and the normal state bonus payment channels might instead be pursued to pay bonuses. DED personnel also subsequently informed my staff that two additional proposals were made for using the NGA excess monies. The first proposal was to pay for portraits of the Governor and the Lt. Governor. That proposal was later dropped and a second proposal was made to pay approximately \$100,000 to the City of Des Moines for police overtime and contribute the remaining balance to the State Fair Blue Ribbon Foundation. No further proposals have been communicated to my office.

**ITEM:** General Fund money was appropriated for the NGA event. The Committee was told that the bonus money was not General Fund money. Can the Auditor verify this? With General Fund and non-General Fund dollars, how can we be sure the funds didn't get commingled? Can it be shown which dollars were spent where?

**RESPONSE:** I had my staff do some follow-up inquiries about the General Fund appropriation for the NGA Conference. Based upon those inquiries we noted the following:

- The General Fund appropriated dollars for the NGA Conference were maintained within the Governor's office and never transferred to DED; therefore, the appropriated dollars were not commingled with the private contributions maintained by DED.
- Expenditures by the Governor's office from the General Fund appropriation for Fiscal Year 2006 are made up of the following disbursements:

Fiscal				
<u>Year</u>	<u>Date</u>	<u>Vendor</u>	<u>Amount</u>	<u>Description</u>
2006	8/19/05	NGA	\$ 64,393	Partial FY06 dues
2006	8/24/05	City of Des Moines	100,000	Police and fire overtime charges
			<u>\$164,393</u>	

These disbursements are in accordance with the appropriation bill, which provided for payment of Iowa's membership in NGA and allocated \$100,000 for security-related and other costs for the NGA Conference.

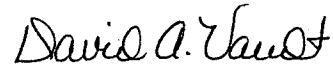
- The \$100,000 paid by the Governor's office to the City of Des Moines on August 24, 2005 is in the process of being repaid from the NGA excess monies. The following checks have been prepared by DED to spend the NGA excess monies:

Fiscal			
<u>Year</u>	<u>Date</u>	<u>Vendor</u>	<u>Amount</u>
2007	8/8/06	State of Iowa, Treasurer's Office	\$100,000
2007	8/8/06	Iowa State Fair Blue Ribbon Foundation	178,303
			<u>\$278,303</u>

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As of September 12, 2006, however, DED personnel indicated these two checks were still being held in DED's safe awaiting further instructions from the Governor's office.

Sincerely,

A handwritten signature in cursive script that reads "David A. Vaudt".

David A. Vaudt

DAV:na